



To: Regional School District Business Officials  
From: Gerard D. Perry, Director of Accounts  
Date: July, 2012

This letter sets forth the year-end reporting requirements pursuant to G.L. chapter 71, §16B½ and 603 CMR 41.06 for certification of excess and deficiency (E & D) for the General Fund and certain other related matters.

E & D used as part of the certification of assessments to member communities must first be certified by the Director of Accounts. Use prior to certification will be considered defective.

### **Balance Sheet – Form Submission Requirements**

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will expect fund balance definitions to appear as in the past.

The following required forms are down-loadable from the DLS website when linked. The upload or data entry into Gateway is currently only available to cities and towns.

- Combined Balance Sheet and Combining Balance Sheet for each fund type including individual fund balances;
- Detailed analysis of undesignated fund balance;
- [FY2012 Year End Checklist](#);
- [Cash Reconciliation Form](#);
- [Treasurer's Year End Cash Report as of June 30](#);
- Statement of Indebtedness as of June 30;
- Summary of the FY2013 budget (operating and capital);
- Schedule of assessments to each member city and town;
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

**Please be reminded that 603 CMR 41.06 indicates that quarterly regional school district state aid in whole or in part may be withheld if the regional school district has not filed the required balance sheet forms and schedules as of June 30, 2012 to the Bureau of Accounts by October 31, 2012. To be properly filed, the forms indicated above must be completed and submitted to the Bureau.**

For jurisdictions in which the Director of Accounts requires audited financial statements prior to certification of E & D, the Director may decide not to certify an amount if the independent auditor's opinion is adverse or if the opinion is disclaimed.

## **Balance Sheet Presentation**

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Submit hard-copy documentation allowing sufficient time for Bureau review and certification as well as for local action.

*Continued from last year:*

- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported claims must be accrued and reported on the balance sheet. A June 30, 2012 deficit in this fund by law must be provided for in the FY2013 regional school district budget.
- Funds appropriated for employee contracts, if included in omnibus budget, may be encumbered only if the employer and employee bargaining representatives agree to contractual terms by July 15 with a final ratification.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than the Department of Elementary and Secondary Education's FY2012 reimbursement, not including extraordinary assistance or funds obligated by the regional school district committee for FY2013 purposes. Any excess fund balance must close to the General Fund on June 30. Any FY2012 deficit in the fund must be charged to the FY2013 regional school district budget and will have no effect on June 30, 2012 E & D. Proof of this charge must be provided to the Bureau of Accounts, otherwise E & D will be reduced.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#) and the FY2013 Estimated Receipts Worksheet for instructions.
- Inter-fund borrowing advances must be repaid no later than June 30. [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.
- Reservations of interest income from investments, certain bond/BAN premiums, rebates and medicare/medicaid reimbursements are improper and unless special legislation or the Director of Accounts requires such reservation, they must be closed to the district's General Fund. Also, close all encumbrances to the General Fund not supported by a legal commitment made to a third party.

- Any bond or bond anticipation note premium that will not be returned to the member communities because of debt exclusion votes taken by the members, must be closed to the district's General Fund on June 30. Per G.L. chapter 44, § 20, the Bureau must then reduce the members' debt exclusions by the amount that represents their proportionate share of the premium kept by the district through maturity of the debt. Otherwise, the premium must be reserved and returned to district members by no later than June 30. The return of premium may be either by a reduction to the capital assessment or by separate check.

### **Potential Increases to E & D**

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2012 state aid payments received by September 30;
- Other reimbursements received by September 30 for FY2012 expenditures that resulted in deficit fund balances as of June 30 may be applied to offset the deficit;
- Expected reimbursement from MSBA or other state or federal department or agency for FY2012 expenditures that resulted in a deficit fund balance as of June 30 may be applied to offset the deficit provided:
  - (a) a documented reimbursement request was filed with the appropriate authority by September 30; and
  - (b) the Bureau can confirm that the payment will be made.

### **Potential Decreases to E & D**

The following reasons will contribute to an E & D reduction unless otherwise noted. The Director may reduce the calculated amount of E & D if, in his opinion, the calculated amount cannot be substantiated by supporting documentation.

- A variance between the balance sheet and treasurer's cash;
- Illegal deficits or any deficit not provided for in the district assessment;
- Individual capital projects fund balance deficit unless funds were borrowed by June 30;
- A self-insurance health claims trust fund balance deficit (note: must be provided for in next regional school district budget);
- FY2012 circuit breaker fund balance deficit not charged to FY2013 school budget.

### **Treasurer's Year-End Cash Report (formerly the Treasurer's Quarterly Cash Report)**

The Treasurer's Year-End Cash Report as of June 30, 2012 must be completed and returned to the Bureau by September 30, 2012 or upon submission of the balance sheet for FY2013 free cash/excess & deficiency certification, whichever is earlier.

Although the Quarterly Cash Report has been replaced, the Treasurer's and Accounting Officer's records should be reconciled monthly during the year.

### **Auto E-Mail of E & D Certification**

Certification letters will be e-mailed to the superintendent and school business manager, the board of selectmen in each member town and the city council in each member city immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory.

### **Distribution of Local Aid**

Regional school districts are reminded of G.L. chapter 58, § 18F which provides for the withholding of local aid payments to districts that do not submit a prior year's annual financial report to the Department of Elementary and Secondary Education.

If you have any questions or comments, please contact your [Bureau of Accounts' field representative](#).